

The merger will result in the wireless industry becoming dangerously close to a duopoly. With AT&T's purchase of T-Mobile, AT&T and Verizon would have approximately 80 percent of U.S. wireless subscribers. AT&T claims smaller competitors such as Cricket, MetroPCS and Cellular South are threatening AT&T's business. But MetroPCS, with 8 million subscribers, would be less than 1/16 of the new AT&T's size. The other companies are even smaller. This is an elephant professing a fear of mice.

The merger will result in fewer handset choices for consumers. Carriers control wireless handset sales in the U.S. by subsidizing phones; Americans in general don't want to pay unsubsidized prices. This has resulted in the carriers acting as gatekeepers, limiting the number of handsets available at prices consumers find acceptable. The number of phones a single carrier offers is limited for reasons of customer support, inventory management, and shelf space at stores.

Currently, AT&T offers 85 products in its nationwide postpaid line, including phones, iPads, netbooks and other devices. Verizon offers 69. T-Mobile offers 60. Sprint, 47 for its main brand. As most U.S. carriers demand exclusive handsets, AT&T and T-Mobile only share approximately 13 products in common. For inventory management reasons, AT&T is unlikely to increase its product line size very much. Folding T-Mobile into AT&T would result in up to a 20 percent reduction of phone choices among the major postpaid brands.

AT&T claims T-Mobile's handset lineup is unappealing, but that's simply not true. T-Mobile was Google's first partner for the Android OS, and continues to release leading Android phones and tablets. From zero in 2008, Android has become the top U.S. smartphone OS by unit volume sold. According to our reviewers, as of April 27, T-Mobile has the best Android phone (the T-Mobile G2x) and best Android tablet (the G-Slate) in the U.S.

The merger will result in reduced customer care quality and higher plan prices. In my experience with large wireless mergers, including AT&T/Cingular, Sprint/Nextel and Verizon/Alltel, the merged company generally takes on the pricing and customer service policies of its larger parent. According to JD Power and Associates, T-Mobile received five stars for customer care while AT&T received only two.

AT&T's plan prices are also generally higher than T-Mobile's. While AT&T says T-Mobile customers will be able to keep their existing plans, that offer stands only for a limited time; T-Mobile customers will eventually be rolled onto AT&T plans. This will become necessary as AT&T has said it intends to repurpose T-Mobile's 3G spectrum for LTE, making T-Mobile 3G phones less functional in the long term.

The merger will result in less innovation. AT&T is right that T-Mobile can't find enough spectrum for a

nationwide 4G LTE network. T-Mobile is innovating around the problem, with a path to raise its HSPA+ network to LTE-class speeds. For now, T-Mobile's frugal strategies may provide a laboratory for solutions to the overall spectrum crisis, and the company may acquire more spectrum in the future.

AT&T argues that T-Mobile's lack of spectrum makes it a non-viable carrier, but many of the smaller competitors that AT&T finds so threatening (such as MetroPCS) have even less spectrum nationwide. AT&T can't have it both ways.

The merger will result in a monopoly on GSM service. GSM, along with its close relatives UMTS and HSPA, is the world's global technology, with 750 networks in 219 countries supplying service to approximately 3.9 billion subscriptions, according to the GSM Association. The smaller CDMA system used by the other U.S. carriers has approximately 439 million subscriptions. Many devices are available primarily or only on the GSM radio system.

AT&T and T-Mobile are the only two of the top seven U.S. carriers to implement GSM, aligning them with the rest of the world. Merging the two carriers would create only one U.S. customer for the global flow of GSM equipment, marginalizing us in the global marketplace and making all of the combined carrier's phones U.S. exclusives, unable to be switched to any other large carrier.

AT&T's argument about needing spectrum is disingenuous. Wireless carriers will all eventually need more spectrum. The real question is, is AT&T's spectrum position weak compared to its competitors? A recent CNET article by Marguerite Reardon shows the answer to be no. AT&T, which was one of the two big winners in the 2008 700MHz spectrum auction and is currently trying to buy more from Qualcomm, is "sitting on more spectrum than any other wireless operator in the top 21 markets in the U.S., and about a third of that spectrum is still being unused," Reardon reports. AT&T's well-known capacity problems may not be because of a lack of spectrum, but because of a lack of planning, capital spending, and investments in backhaul—none of which require a purchase of T-Mobile to help.

Holding LTE deployment hostage to a merger is reprehensible. Most of the comments in support of this merger are from groups supporting AT&T's decision to extend LTE service to 95 percent of the USA. But AT&T can already implement nationwide LTE service over time, using its existing 700MHz, 850MHz and 1900MHz spectrum, and could innovate in other deals such as partnerships with smaller rural spectrum holders. Holding minority, rural, and other communities hostage to a merger deal is the worst kind of bargaining.

If the FCC does approve this merger, in my view the only way to maintain wireless competition in the U.S. would be to adopt a "common carrier" rule for the new AT&T network. AT&T must be required to offer wholesale voice and 4G data service, at attractive and regulated rates, to any virtual network

operator that wants to compete.

Of course, we've seen this strategy fail before. We have the developed world's least competitive home Internet access market in part because the Supreme Court in 2004 voided rules forcing competition there, resulting in most Americans having only one or two choices for home Internet access.

The U.S. is currently a leader in wireless innovation. Let's not allow the wireless market to become similar to the home Internet access market, where our networks are considered slow, expensive and uncompetitive on a global scale. This merger would be a step in that negative direction.

Sincerely,  
Trent Vanderbilt